



MEMORANDUM

TO: City Council Parks and Seattle Center Committee
FROM: Christopher Williams, Acting Superintendent
DATE: August 5, 2010
SUBJECT: Golf Operator Agreement

This is an informational briefing to 1) give the Seattle City Council's Parks and Seattle Center Committee an overview of Seattle Parks and Recreation's recently completed Request for Proposal (RFP) process for an operator to manage the City's four golf courses, and 2) to provide information about upcoming legislation authorizing a management agreement with the successful respondent.

RFP Objective and Background

Objectives: Seattle Parks and Recreation's public golf courses are community resources that provide high-quality, affordably priced recreation for all citizens. Parks' goal is to preserve the processes and programs that work well, while exploring new service options for the communities that we serve. Toward that end, the RFP process was an opportunity to take a fresh look at City golf services.

The guiding principles for the RFP are:

- Maintain financial viability to sustain the Golf Master Plan.
- Reinvest in the courses by making strategic improvements.
- Encourage investment by the golf operator.
- Continue professional services to the public.
- Increase access to golf programs to low-income populations, including youth and immigrants.

The goal of the RFP was to select an operator that will follow the guiding principles, operate the courses in a professional manner, provide excellent customer service, maintain the facilities, potentially provide improvements to the courses, and provide a positive revenue stream to the City.

Background: The golf courses have previously been managed in a variety of ways. The City had operated them from the early 1960's to 1995 via concession agreements with course operators. This operational model worked well to produce revenues; however, the backlog of maintenance and upgrades to the golf courses that were needed to maintain their viability was severely lacking. A new operating model was developed, which created Municipal Golf of Seattle, a nonprofit organization that operated the courses from 1995 to mid 2003. This operational model was unsuccessful as MGS defaulted and went out of business. After working together with the Mayor's Office and City Council staff, Parks decided a management agreement was the best operational model to undertake, whereby an operator simply manages the courses, and the City controls all the financing and disbursements.

In May 2004, Parks completed a Request for Qualifications (RFQ) process to screen potential operators for the four municipal courses. Four qualified operators subsequently participated in a RFP process, which was completed in September 2004. The Department selected Premier Golf as the most responsive proposal and negotiated a five-year, management-for-fee contract with Premier to operate the courses. In this contractual arrangement, the City maintains the courses with its own staff. During the five years of this contract, revenues generated from golf have been positive and operating costs covered. Residual balances supported improvements to the courses, helped pay past debt service, and provided additional revenues to Parks operating budget.

In the final analysis, it was clear that this management model with City having control and oversight of the golf budget were working. Additionally, the department leadership concluded that in order to continue financial viability of golf operations, the City had to reinvest in the courses and make improvements that were recommended in the Golf Master Plan.

Toward that end, in 2009, Parks worked with the City Budget Office, Finance Office, City Council and Executive to include in Parks' 2010-2011 budget municipal bond funding totaling more than \$20 million over five years that will support capital improvements in the Golf Master Plan. The first meeting for the first project – a driving range at West Seattle Golf Course – is August 4th. Construction is expected to start on the project in June 2011, with completion anticipated in May 2012.

It was also in late 2009 that Parks initiated a new RFP process with the same management model for an operator that would manage the City golf courses when new improvements are made to the golf courses.

Request For Proposal results and current status

The RFP was advertised in April 2010 and proposals were due by May 21, 2010. We received eight proposals by the due date. They were from Access Golf, Billy Casper, Course Co, Hardy Golf, Kemper Golf, OB Sports, Premier Golf, and Value Drivers.

In June 2010, a RFP evaluation team consisting of staff from Parks, the City Budget Office, City Council, and a member from the Seattle Golf Steering Advisory Committee evaluated the eight proposals. Based on the rating scale, the team recommended Premier Golf, LLC be awarded the new contract. The Superintendent approved this recommendation on June 23, 2010. Parks staff is finalizing contract negotiations with Premier in the next couple of weeks.

Key Contract terms and conditions

Some key highlights/changes of the new contract are:

1. Continuation of same financial model where the City reviews and approves and issues payments for all golf operating expenses, including the management fee and the operator's proposed operating budget.
2. An initial annual management fee of \$285,000 for 2011 and 2012.
3. A term of 10 years with an option to extend for five years.
4. City will continue to maintain the golf courses.
5. Operator will expand access to golf programs to low-income and diverse populations.
6. Incentive compensation to the operator of 10 percent of revenues generated above the budgeted adjusted gross revenue target.

Next step—Golf RFP legislation and Schedule

The Department expects to have legislation authorizing a new agreement before the City Council in September 2010.